

Delegated decision report

DECISION UNDER DELEGATED POWERS

**DECISION CANNOT BE TAKEN BEFORE WEDNESDAY,
1 AUGUST 2012**

Title	PROPOSED SALE OF CHURCH VIEW, CHURCH STREET, VENTNOR
Report to	THE DEPUTY LEADER AND CABINET MEMBER FOR THE ECONOMY AND THE ENVIRONMENT

EXECUTIVE SUMMARY

1. To approve the disposal of the council's freehold interest in the premises at Church View, Ventnor, for the sum of £310,000 – the highest offer received following a full marketing exercise.
2. The outcome will be a capital receipt from this disposal towards the annual capital receipts target as set out in the council's medium term financial plan and in accordance with the strategic asset management plan approved in 2011.

BACKGROUND

3. Church View is a detached former police building constructed in local stone beneath a pitched and slated roof. The accommodation is over three floors to the western side of the property, which is currently vacant, and two floors to the eastern side, which is let to the Isle of Wight Healthcare NHS Trust.
4. The western side of the building comprises a residential flat on the ground floor which was vacated by the former tenant, Stonham Housing Association, in May 2011. The accommodation at first and second floor level was previously a day care centre operated by the council, and this was vacated in September 2011.
5. Marketing advice recommended that best value for the building would be achieved if the vacant accommodation benefited from planning consent for residential use and a planning application for conversion of the upper floors to two apartments was approved in January 2012.
6. Isle of Wight Healthcare NHS Trust is currently "holding-over" on a 15-year lease at a peppercorn rent. "Holding-over" is a term commonly used to describe a situation where a lease has expired but the tenant remains in occupation on the same terms, as in the period of the lease, and is protected by the Landlord & Tenant Act 1954.
7. A s25 notice, terminating the 'current lease', has been served under the Landlord & Tenant Act 1954 quoting terms for a new lease at a rent of £16,500 per annum. Negotiations around the new lease may be protracted and in view of the fact that the

vacant parts of the property are incurring ongoing expenditure, whilst also being potentially susceptible to vandalism, it was decided to commence the sale of the building whilst lease renewal negotiations were on-going.

8. Marketing advice was sought from the agents on the council's commercial agency framework, resulting in recommendations of an asking price of between £250,000 and £300,000. The successful agent commenced marketing of the property in March 2012 with an advertised asking price of offers in the region of £300,000. Marketing was undertaken on the basis of vacant possession of the western side of the building and the NHS remaining in occupation of the eastern side. The availability of the property was advertised through a For Sale board on the site as well as marketing in the County Press and on the agent's website.
9. Interest was very strong from the outset and throughout March and April several parties viewed the site and offers were received ranging from £275,000 to £306,000. In view of this strong interest a decision was taken to draw the marketing to a close via a best and final offer process. An advert was published on 27 April 2012 to this effect, seeking best and final offers for the site by Friday 11 May 2012. This produced a further strong response and three offers were received. The highest of these offers was £310,000.
10. As the £310,000 offer is from an applicant with the funds readily available, the agents have recommended it for acceptance.

STRATEGIC CONTEXT

11. In December 2010 the council's cabinet agreed the future shape and direction of the organisation of which one of the key principles is that, "the council will actively seek to sell or dispose of assets that are surplus to requirements where practicable to maximise capital receipts, or lease them where it is not."
12. The disposal of council assets will contribute towards a number of the Isle of Wight Council's key corporate objectives, as detailed in the Corporate Plan for 2011-2013.
 - Delivery of budget savings through changed service provision: Delivering services in different ways will allow the release of council buildings, thereby creating significant savings of accommodation and maintenance costs, as well as generating capital receipts.
 - Regeneration and the Economy: Seeking the best quality use of surplus/disused property assets will help ensure high quality regeneration opportunities are realised.
13. The disposal is identified in the strategic asset management plan approved in 2011.
14. If this property is disposed of it will release a capital receipt into the council's corporate account as part of the annual capital receipts target.

CONSULTATION

15. Consultation has taken place with officers within Planning, Finance, Legal and Risk Management, the Director of Resources and the Deputy Director of Economic Development. Any further comments received will be considered when this delegated decision is taken by the Cabinet Member.

FINANCIAL / BUDGET IMPLICATIONS

16. The council is currently liable for all outgoings in respect of the vacant parts of the property such as business rates and insurance plus any ongoing maintenance liabilities. It is therefore in the council's best interest to dispose of the property as soon as possible. To mitigate against such outgoings, the council had applied for empty business rates and council tax relief, on the vacant parts of the property, however, this rates relief period has now expired. Any revenue budget savings arising from disposal of this property will contribute to the council's savings target for accommodation costs.
17. The council is currently receiving nil rent for the NHS part of the building and whilst the tenants have a full repairing lease the council has contributed to maintenance of the site in the past. The council also has on going property management responsibility, including ensuring that regular inspections of vacant part of the building are performed and that buildings insurance policies are paid. A sale of the site will remove these obligations as well as any longer term maintenance liabilities.
18. An s25 notice has been served offering terms for a new lease at a rent of £16,500 per annum. Independent advice was sought to arrive at this figure, which is based on comparable evidence recently agreed on the Island.
19. Lease renewal negotiations have yet to be concluded; indeed they may not be until after the property has been sold (in which case it would be intended that the new purchaser concludes the negotiations). It is difficult to predict what the exact new rental figure will be, but it is unlikely to be more than £16,500 per annum. Whilst the council may not, therefore, benefit in revenue terms from an uplift in rent, it is still benefiting in capital terms as the quoted rent is being reflected in the offers submitted.
20. If the recommendation made within this report is adopted the council will benefit from a capital receipt in the sum of £310,000.

LEGAL IMPLICATIONS

21. The council currently holds the property on a freehold basis with unencumbered title.
22. The lease to the Isle of Wight Healthcare NHS Trust is a protected tenancy within part II of the Landlord and Tenant Act 1954 which means they have a right to remain in the property; this is why the council has served them with a s25 notice inviting negotiations around a new lease. The marketing of the property has reflected this situation.
23. If the property is sold, then once a sale has been completed, the council will have no further interest in the property.
24. The council has the ability to dispose of property under Section 123 of the Local Government Act 1972 for best consideration.

CARBON EMISSIONS

25. Council records show that in 2010/11 Ventnor Church View Day Centre consumed 3,500kWh of electricity and 12,500kWh of gas, equating to 4tCO₂. In 2011/12, it site consumed 6,000kWh of electricity and 17,300kWh of gas, equating to 6tCO₂. Assuming

this level of energy consumption was maintained an annual Carbon Reduction Commitment saving of £72 would be achieved.

26. No records of energy consumption exist for Flat 3, Church View and therefore no carbon savings will be realised from the disposal of this property

PROPERTY IMPLICATIONS

27. It is considered that property implications are adequately covered within the main body of this report.

EQUALITY AND DIVERSITY

28. The council as a public body is subject to general and specific duties under equality and diversity legislation and as such has a duty to impact assess its service, policies/strategies and decisions with regards to diversity legislation and the nine “protected characteristics (race, gender reassignment, disability, age, sex and sexual orientation, religion or belief, pregnancy and maternity, marriage and civil partnership).
29. The previous occupier of the ground floor, Stonham Housing Association, took its own independent decision to vacate and is not, therefore, covered by the council’s need for an impact assessment. The council, however, has impact assessed its former service delivery from the upper floors as this is part of the reasons for its relocation to more accessible premises.
30. This report therefore considers that none of the identified groups are likely to be adversely affected by this decision.

SECTION 17 CRIME AND DISORDER ACT 1998

31. There are not believed to be any specific crime and disorder issues, other than vacant properties can be prone to vandalism and it is therefore in the council’s interests to dispose of the building as soon as possible.

OPTIONS

32. Options have been considered in respect of this property as follows:
- (a) To sell the property as detailed in the report and accept the offer of £310,000.
 - (b) To continue to market the property for a longer period in the hope of achieving a higher capital receipt.
 - (c) To retain ownership of the property, carry out any necessary repairs and use the vacant parts of the building for council purposes.
 - (d) To retain ownership of the property, carry out necessary repairs and improvements to the vacant parts, and let to a private occupier, and to complete the lease renewal negotiations with the NHS.

RISK MANAGEMENT

33. Option (a) represents limited risk to the council as it has followed a robust marketing route that has included research into the funding method/ability of the proposed purchaser. Marketing has been undertaken on the basis the council has served a s25 notice on the NHS although but is not currently in active negotiations with them. There is therefore a low to medium risk that the NHS may not agree terms and could vacate the building. This risk is being transferred to the purchaser but has been made clear throughout the marketing process.
34. Option (b) comprises a high risk as the existing applicant may withdraw. Also, due to the level of exposure to the market, it is unlikely that a better offer may be received. Indeed the major risk of this course of action would be that a lower offer ultimately has to be agreed, particularly in light of the potential for continued falls in the property market.
35. Under option (c) retaining the property for further corporate use is of medium risk, due to the layout and condition of the building, and the fact that there is no identifiable council use for it (or budget to fund its occupation)..
36. Option (d) would leave the council with on-going property management liabilities. In addition, if the council was to pursue this route it is difficult to predict exactly what alternative uses would be demanded by the market and what works would be required to enable such use, with a medium to high risk of opting for a use with limited or no demand.

EVALUATION

37. The availability of the property has been marketed widely; however, this marketing has coincided with a time of continued uncertainty within the property markets. Whilst several applicants have viewed the property, the agents consider it unlikely that a higher offer will be received and, therefore, option (b) is not recommended.
38. Option (c) would involve the council in considerable work and cost to meet the current backlog of repairs to the property and potentially achieve compliance with Equality Act requirements. One of the principal elements of the delivery of budget savings through changed service provision is the capital receipts programme. This property is no longer needed by the council and its disposal is therefore consistent with the objective of achieving budget savings. Retaining the property for further corporate use is not advisable, due to the layout and condition of the building, and the lack of an identifiable corporate user.
39. Option (d) would fail to achieve a capital receipt, would have ongoing revenue (and capital) cost implications and necessitate some level of landlord management input.
40. Option (a) is consistent with the council's policies in respect of surplus assets and provides the most effective disposal opportunity at this time; it is therefore the recommended disposal path

RECOMMENDATION

41. Option (a) - To sell the property as detailed in this report and accept the offer of £310,000.

APPENDICES ATTACHED

42. [APPENDIX](#) - Site plan

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STUART LOVE
Director of Economy and Environment

COUNCILLOR GEORGE BROWN
Deputy Leader and Cabinet Member for
Economy and Environment

Decision

Signed

Date
